

## Gavel to Gavel: Follow crowd with care

By: Sheppard F. Miers Jr. April 1, 2015



For some at the age of this author, a CARE package is known and remembered from when it was first offered and popularized after the end of World War II by Cooperative for Assistance and Relief Everywhere Inc. as an emergency food relief program for people in war-ravaged areas. Fast-forward 70 years and we are discussing crowdfunding, a 21st-century form of charitable activity featuring the same appeal and intended effect, only backed by the power of the Internet.

Crowdfunding is raising larger sums for a charitable purpose by attracting small gifts from a large group of individuals online. *Crowdfunding for Charitable Causes*, a Better Business Bureau publication, describes the growth of charitable fundraising and online giving, as well as various factors involved in contributing and receiving money through that medium.

A charitable purpose or cause attracting a crowd of generous individuals on the Internet to make monetary donations can, like most money transfers, have tax effects. For example, is an income tax charitable deduction allowed for an individual donation to a crowdfunding project? The answer to that question is maybe yes, and maybe no, depending on who receives the contribution.

In simplest terms, a cash donation to a qualified charitable organization recognized under federal tax law and by the Internal Revenue Service is probably deductible. A cash donation to help a particular individual or family in need due to a disaster, accident, illness or other reason is probably not deductible. Published IRS guidance expressly states you cannot deduct a contribution to a specific individual. The IRS has also published that it knows an evolution has occurred toward more sophisticated means of fundraising, including crowdfunding.

If a generous individual donor wants to join the crowd in helping out, and be able to deduct a gift for income tax purposes, care needs to be used before clicking the donate button. Here are some suggestions when preparing a donor's tax planning care package. Take a few minutes to determine who exactly will receive the donation and how that will be documented. Follow IRS Publication 526, "Charitable Contributions," requirements. Check the IRS published list of qualified charitable organizations. Finally, seek the advice of a tax professional.

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